

Citation for published version:

Tamayo-Torres, J, Roehrich, K & Lewis, M 2017, 'Ambidexterity, performance and environmental dynamism', *International Journal of Operations & Production Management*, vol. 37, no. 3, pp. 282-299.
<https://doi.org/10.1108/IJOPM-06-2015-0378>

DOI:

[10.1108/IJOPM-06-2015-0378](https://doi.org/10.1108/IJOPM-06-2015-0378)

Publication date:

2017

Document Version

Peer reviewed version

[Link to publication](#)

The final publication is available at Emerald via doi.org/10.1108/IJOPM-06-2015-0378

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Organizational Ambidexterity, Manufacturing Performance and Environmental Dynamism

Javier Tamayo-Torres^a; Jens K. Roehrich^{b,} and Michael A. Lewis^b*

^aBusiness Management Department, University of Granada. Campus Cartuja s/n, Granada
18071, Spain

^b School of Management, University of Bath, Claverton Down, Bath BA2 7AY, UK

**Author for correspondence.*

Javier Tamayo-Torres: Tel.: +34 (0) 958 24 15 86; e-mail: jatamayo@ugr.es

Jens Roehrich: Tel.: +44 (0) 1225 385 060; e-mail: j.roehrich@bath.ac.uk

Michael Lewis: Tel.: +44 (0) 1225 386 536; e-mail: M.A.Lewis@bath.ac.uk

Abstract

Purpose - This research examines the relationship between organizational ambidexterity, the ability of companies to explore new and to exploit existing processes simultaneously, and manufacturing performance as represented by the sand cone model. Moreover, the paper analyses the impact of stable and dynamic environments on this relationship.

Design/methodology/approach – A set of research questions are tested using structural equation modelling (SEM) on a sample of 231 Spanish manufacturing companies.

Findings - Results illustrate a significant relationship between ambidexterity as the basis and enabler for manufacturing performance improvements, building on the sand cone model and its dimensions of quality, delivery, cost, and flexibility. This relationship is further emphasized when companies work in a dynamic environment.

Practical implications – The study contributes to practice by investigating the important and yet under-explored relationships of ambidexterity, the sand cone model, performance, and a company's wider market environment. Findings suggest a positive relationship between the sand cone model and ambidexterity capability.

Originality/value - This study adds to the limited theoretical and empirical understanding of the relationships between ambidexterity, the sand cone model, environmental dynamism, and performance. It also contributes through a set of empirical data derived from Spanish manufacturing companies.

Keywords - *Ambidexterity, Capability, Sand Cone Model, Manufacturing Performance; Environmental Dynamism; Spain; Survey*

Paper category - Research paper

Acknowledgement

This work has been developed with funding by and collaboration with the Ministry of Science and Innovation and the European Union. Project I+D ECO2010-15885 and ECO2013-47027-P, and Junta de Andalucía P11-SEJ-7294 and European Union (Fondos FEDER).

1. Introduction

Today's globally competitive markets mean that the practice of Operations Management (OM) increasingly addresses both traditional cumulative approaches to improvement and the more disruptive innovation and adaptation processes necessary to create and cope with radically different tasks, technologies, and territories (Lavie and Rosenkopf, 2006; Raisch *et al.*, 2009). In more theoretical terms, the fundamental challenge inherent in balancing exploitation/exploration (March, 1991) can be helpfully framed using the debate regarding resource-based (e.g. Wernerfelt 1984, Barney, 2001) and dynamic capabilities (Teece *et al.*, 1997: 516) related advantage. Resource-based theory (RBT) argues that cumulative resource factors, as typified in OM by the layers (i.e. quality, delivery, cost, flexibility) of the 'sand cone' (Nakane, 1986; Ferdows and De Meyer, 1990; Corbett and Whybark, 2001), are critical to the sustainability of any competitive advantage because they create barriers to imitation that prevent advantages being 'competed away' too quickly (e.g. McGee and Thomas, 1986; Mahoney and Pandian, 1992). Conversely, others in this debate have argued that it is the mechanism whereby an organization can purposefully create, extend, or modify its resource base (Helfat and Peteraf, 2003), its dynamic capabilities (DC), that especially in "high velocity" markets are the key to competitive survival via adaptation and experimentation (Patel *et al.*, 2012).

Those organizations that manage to balance both approaches have been called ambidextrous (O'Reilly III and Tushman, 2013). Although this concept has been widely discussed in the management literature, key questions remain (e.g. the relationship between ambidexterity and environmental dynamism: Jansen *et al.*, 2005) and, critically for this paper, its application within OM is under-developed. This represents an opportunity to make a relevant contribution to the OM field and, given that the specific relationship between ambidexterity and manufacturing performance (Sabella *et al.*, 2014) has received surprisingly limited attention (Raisch and Birkinshaw, 2008; Junni *et al.*, 2013), to the broader literature as well.

This paper reports on a study that used a dataset of 231 questionnaires collected from Spanish manufacturing companies to explore (a) the relationship between organizational ambidexterity and manufacturing performance (as represented by the sand cone model),

and (b) the impact of environmental dynamism on this relationship. In addition to offering further empirical support for the cumulative sand-cone, rather than trade-off (Narasimhan and Schoenherr, 2013) approach to capability development (i.e. quality, speed, cost, and flexibility), our findings suggest a positive relationship between the sand cone model and ambidexterity capability. In other words, simultaneously driving exploration and cumulative exploitation activities leads to increased manufacturing performance. The analysis also shows these relationships are more significant in the presence of dynamic environmental conditions.

The remainder of the paper is structured as follow: Following the introduction, the literature review discusses and synthesizes extant studies regarding ambidexterity, and the sand cone model. The study's research questions are then developed before section 3 addresses key methodological considerations. Section 4 describes the results of the research, while section 5 presents the discussion of the results, addresses key limitations and recommendations for future research avenues. Finally, section 6 outlines conclusions and practical implications.

2. Conceptual background

As noted above, this study can be usefully linked to questions of resource-based (exploitation) and/or DC-based (exploration) advantage. RBT has been particularly influential in OM (e.g. Lewis, 2000; Pandza *et al.*, 2003; Miller and Ross, 2003; Rungtusanatham *et al.*, 2003; Holcomb and Hitt, 2007) but, as Teece (2006) has argued, it is the distinct skills, processes, procedures, and decision rules underpinning DCs which allow managers to identify threats and opportunities for their firms and to reconfigure assets to address these threats and realize these opportunities. In other words, these perspectives appear to suggest very different interpretations of the challenge of competitive survival but each have their limitations. For example, it has been argued (e.g. Ahuja and Lampert 2001) that focusing on exploitation can improve performance in the short-term, but that these companies will not adapt easily to the changes of the environment (i.e. competency traps). Conversely, others have observed that companies with exploration capabilities may be able to change quickly but can struggle to properly exploit current strengths (Volberda and Lewin, 2003).

It is unsurprising that ambidexterity, with its promise of high performance (Junni *et al.*, 2013) by accommodating exploration and exploitation strategies in a single firm (cf. O'Reilly and Tushman, 2008; Birkinshaw and Gupta, 2013; Voss and Voss, 2013), is both practically appealing and, from an OM perspective, offers significant potential for further conceptual development. The following sections develop the key theoretical building blocks of the study with a particular focus, as DCs and ambidexterity have been related several times in the literature (O'Reilly and Tushman, 2008), on the link between ambidexterity and manufacturing performance in the specific guise of the sand cone model (Kristal *et al.*, 2010).

2.1 Sequential Capability Building and the Sand Cone model

Since Nakane (1986) first proposed that there was a sequential process associated with cumulative capability building, a number of studies have tested and developed this argument (Tables 1&2 outline exemplary studies) about how operations build what became known as the sand cone (Ferdows and De Meyer, 1990). Rosenzweig and Easton's (2010) meta-analysis illustrates the variety of contexts in which the concept has been studied, and concludes that the sand cone model offers a more accurate description of the capability process than the trade-off model. The majority of these early studies argued that the sequence of performance improvements followed a specific order - quality, delivery, cost, and flexibility – but more recently others have proposed alternative sequences. Some studies argue that product innovation and not flexibility is at the top of the sequence (Noble, 1995). Größler and Grübner (2006) found support for the idea of sequential capabilities but not for all dimensions, concluding that flexibility and cost are not clearly related. In this study, the Schroeder *et al.* (2011) model, which described the sequence as quality, delivery (stressing that work should continue on quality) and, once an appropriate standard for delivery had been reached, flexibility and then cost efficiency will be adopted as the sand cone template. This is a statistically validated sequence, subsequently supported by other studies (e.g. Narasimham and Schoenherr, 2013).

PLEASE INSERT TABLES 1&2 ABOUT HERE

2.2 The Sand Cone model, Ambidexterity and Performance

What is clear from this review is the strong link between the idea of the sand cone and the concept of organizational ambidexterity (cf. O'Reilly III and Tushman, 2013). The sand cone concludes that sequentially, cumulatively building quality and delivery performance underpins flexibility in the same way that ambidexterity suggests the synergistic fusion of exploration and exploitation can drive overall performance (Jansen *et al.*, 2009; Mom *et al.*, 2007; Chandrasekaran *et al.*, 2012, Junni *et al.*, 2013) – in turn leading to a higher and more sustainable financial performance (Lubatkin *et al.*, 2006; Simsek *et al.*, 2009). Some OM authors have observed this link. Narasimhan and Schoenherr (2013), for example, noting that environmental capabilities (Lee and Klassen, 2008) can improve the cumulative capabilities of manufacturing companies. Yet, despite these similarities, there have been relatively few explicit attempts to combine the sand cone model and the ambidexterity concept (Matthews *et al.*, 2015). The study by Liu *et al.* (2011, p. 1255), whilst missing consideration of the impact of environmental dynamism, is one of the few that addresses the relationship, concluding that increased knowledge and waste reduction “enable both exploration and exploitation in manufacturing, respectively; and in turn serves as the inputs for combinative capabilities development and the progression, in terms of its competitive capabilities, through the cumulative model”.

2.3 Developing Research Questions

Prior studies have drawn out specific relationships between ambidexterity and distinct dimensions of the sand cone. Matthews *et al.* (2015), for instance, linking explorative learning and flexibility (cf. Adler *et al.*, 1999) and exploitative learning and cost (cf. O'Reilly III and Tushman, 2013), quality and speed. In this study however, we sought to explore a more integrative perspective on the relationship and, in particular, the key aspect of the sand cone, the sequential nature of the capability building process. This leads us to our first research question.

RQ 1: What is the relationship between organizational ambidexterity and the sequential process of improved manufacturing performance (as represented by the Schroeder et al. (2011) version of the sand cone model)?

While ambidexterity has been explored at different levels of analysis (Birkinshaw and Gupta, 2013; Tamayo-Torres *et al.*, 2014), as a moderator to performance (Mudamhi and Swift, 2011), and in terms of its links to industry setting (Simsek *et al.*, 2009), the relationship between ambidexterity and environmental dynamics has not yet been sufficiently explored (Junni *et al.*, 2013). This is of particular interest to this study because, to date, exploration has usually been considered as important in dynamic environments (Kabadayi *et al.*, 2007; Chang *et al.*, 2011) and exploitation critical in a more static environment (Ward *et al.*, 1996).

Similarly, with regards to the sand cone model, environmental dynamics have rarely been treated in the round. Schroeder *et al.*, 2011 (pp. 4897) argue that “it is possible that contingencies such as different strategies or different external environments might explain why some plants follow the sand cone model and others do not”. Quality and cost (Nandakumar *et al.*, 2010) performance, for instance, have usually been related to a stable environment (i.e. process standardization is more effective when not influenced by external changes). Conversely, flexibility has usually been defined as the best way to solve uncertainty (Beach *et al.*, 2000), arguing for a fit between flexibility and environmental dynamism as critical for a company’s survival (Anand and Ward, 2004; Liao and Hu, 2007). Equally, speed is the measure of the company to react to important changes in the environment (Ferdows and De Meyer, 1990), suggesting a strong relationship between speed and environmental dynamism. But what is the impact of environmental dynamism (Jansen *et al.*, 2005) when developing both, exploration and exploitation, via a specific sequence of capabilities? This leads us to our second RQ.

RQ 2: What is the relationship between environmental dynamism and the relationship between organizational ambidexterity and manufacturing performance?

3. Research methodology

3.1 Target population and questionnaire procedure

The data used in this study were derived from a cross-sectional study. To measure each variable, the survey instrument asked CEOs or managers of manufacturing departments to specify their answers across different items using Likert-type 1- to 7-point scales (1=totally disagree; 7=totally agree). Telephone questionnaires were administered by a specialist private company. One of the authors explained the content of the questionnaire to and briefed the interviewers about the research study. To gather data, interviewers called respondents' landlines. This phase of the study lasted five days and was performed by seven highly trained interviewers. The interviews were recorded and then codified electronically to avoid possible errors during data analysis and interpretation phases.

The sample of Spanish manufacturing firms was taken from SABI, a database including detailed information on over 550,000 Spanish firms. Two conditions were applied to the set. First, companies with fewer than five manufacturing workers were excluded, as their characteristics (e.g. minimal operating structure, Hair *et al.*, 2004) differ substantially from those discussed in the theoretical argument. Second, it was vital that respondents possess sufficient in-depth knowledge of the questions asked to ensure that the responses obtained were reliable. After applying these two conditions, the resulting organizations were reduced through random sampling to obtain a final sample of 1,854 companies. From the final sample we obtained 231 valid questionnaires, a global response rate of 12.49%. Possible sample bias was investigated by comparing the mean of the size across all firms and of firms included in the study's sample, arriving at similar values in both cases. The sampling error was calculated (6.03%) and deemed acceptable against a generally agreed maximum level in social science studies of 10% (Scandura and Williams, 2000).

3.2 Sample demographics

All of the respondents in this study are based in Spain, although firms may operate in national and/or international territory. This choice ensured a similar economic, political, and legal framework for the studied firms, minimizing the importance of other international variables that cannot be controlled for in our empirical research (Adler, 1983). All investigated companies belong to the manufacturing sector, although they have different production configurations. We have included a table with detailed sample information in Appendix A.

3.3 Measures

Our model has two types of variables, six of them have been considered as reflective variables as related literature has treated them (Table 3). Exploration and exploitation strategies (Mom *et al.*, 2007), quality, flexibility, cost (Raymond and St-Pierre, 2005), and speed (Larso, 2004). The remaining variable is a second-level variable called ambidexterity (Patel *et al.*, 2012), a variable defined as the ability to explore and exploit simultaneously (please see Appendix B).

Please insert 'Table 3' about here

3.3.1 Exploitation and exploration strategies

We deploy the scale used by Mom *et al.* (2007) because they relate exploitation and exploration strategies to mechanisms of coordination and decision making which fits the focus of this study. Five items were selected and adapted from these scales to measure exploration strategy and six items to measure exploration strategy, using 7-point Likert-type scales, of which two were finally eliminated because they did not fit with the statistical process. Exploration and exploitation activities were used to build a second-level variable. Both factors correlated significantly ($p < 0.01$) with this second-order factor, with standardized loads that ranged between 0.63 and 0.77. Both factors were therefore considered indicators of a single factor called "ambidexterity".

3.3.2 Manufacturing capability

Manufacturing capabilities are defined and were considered as following a pre-specified sequence. We adopted Schroeder *et al.*'s (2011) proposed sequence - quality, delivery, flexibility, and cost – to study manufacturing capabilities. We selected the scale developed by Raymond and St.-Pierre (2005) for three of the capabilities - perceived quality improvements, perceived flexibility performance, and perceived cost performance. Speed performance was measured through the scales proposed by Larso (2004).

3.3.3 Environmental dynamism

Environmental dynamism is defined as the degree of instability of the factors that affect the environment of the firm (Jansen et al., 2005). This study adopts the scale proposed by Miller and Friesen (1983) in which they analyze the rate at which products and services become outdated, considering low and high degrees of environmental dynamism. First, we evaluated low and high degrees of environmental dynamism. We defined low values as those with a standard deviation below the average and high values as those with a standard deviation above the average (following the recommendations by Jaccard, et al., 1990). Second, as our research sought to uncover potential differences in ambidexterity across static and dynamic environments, the sample needed to include firms characterized by operating in markets with low environmental dynamism or high environmental dynamism. As a result, we eliminated 59 firms because they were considered as operating in a medium environment (Jaccard *et al.*, 1990; Barrales-Molina *et al.*, 2010). Finally, we used Chow's Test, to measure whether there is structural change in the sample because of the type of environment. The test showed a 95% significance level, thus we rejected the null hypothesis that there is no structural change. The difference was located at 113, indicating the point at which the sample is divided between firms that compete in a dynamic environment (93 firms) or a static environment (79 firms). Both groups (static and dynamic environment) have the minimum sample size to run SEM (Hair *et al.*, 2004) and recent studies in OM used SEM with similar sample sizes (Gutiérrez-Gutiérrez *et al.*, 2012).

3.4 Tests for reliability and validity

This section analyses the reliability, unidimensionality, convergent validity, and discriminant validity of the scales used in this study. First, to determine the scales' reliability, the Cronbach α was calculated and all of them are higher than the recommended value of 0.7 (Nunally, 1978) (see Table 4). In order to test convergent validity, the average variance extracted (AVE) values were calculated and all the scales showed values higher than the minimums recommended (Gupta and Kim, 2008). We first utilized confirmatory factor analysis (CFA) to establish the psychometric properties of the model, and then used structural equation modelling (SEM) to evaluate the performance implications.

Please insert 'Table 4' about here

Next, all scales were subjected to a confirmatory factor analysis (CFA) using the software program EQS6.2 which demonstrated the scales' convergent validity. All of the scales show results higher than the established minimums. According to Hulland (1999), three conditions must be fulfilled for convergent validity to exist. First, the factor loadings must be significant ($t > 1.96$; $p < 0.05$). Second, they must be greater than 0.4. Finally, individual reliability (R^2) must be greater than 0.5. Figure 1 shows all of the values for the factor loadings, their significance, and their reliability. Finally, to complete validation, discriminant validity was analyzed following Howell (1987) and Szulanski (1996). We compared the correlation value observed in the CFA to the correlation value calculated for the case of perfect correlation. The correlation value calculated should be greater than the value observed. In all cases, the results show that the value calculated was greater than that observed, ensuring discriminant validity.

4. Results

In order to analyze the relationships between variables, Structural Equation Modelling (SEM) was used and the program EQS 6.2 was deployed. This methodology was used because it is considered "the most sophisticated statistical techniques in the group to find evidence in support of the sand cone model" (Schroeder *et al.*, 2011, p. 4885). Also, SEM was chosen because it allowed us to examine how the different dimensions of the sand cone are influencing one another. Moreover, we tested for Common Method Variance (common method bias) (Siemsen *et al.*, 2010) to address possible problems with systematic error variance shared among variables, and we checked that The Harman's single-factor had a very poor fit: GFI = 0.568, AGFI = 0.479, CFI = 0.41, NFI = 0.44, RMSEA = 0.147, showing no sign of common method variance. We conducted two different analyses. First, we have included the variables about ambidexterity and the sand cone model (Figure 1). Second, we contrasted this relation when considering different environments (Figures 2&3). The fit indices used to estimate the measurement models are presented in Table 5.

Please insert 'Table 5 and Figure 1' about here

The overall fit of the structural model for the total sample fits on absolute fit (χ^2 , degrees of freedom and RMSEA), incremental fit (CFI, NNFI and IFI), and parsimony fit suggested by Hair *et al.* (2004). Moreover, significant results of the influence of ambidexterity into the other variables are shown with a t-value significant at $p < 0.01$.

Figure 2 describes the SEM results of the influence of ambidexterity as basis for the sand cone model. Each path indicates the associated research question, the estimated path coefficients, and t-values (t-values for path coefficients greater than 1.645 are significant at $p < 0.1$; t-values for path coefficients greater than 1.96 are significant at $p < 0.05$; t-values for path coefficients greater than 2.58 are significant at $p < 0.01$).

Statistical analysis illustrates different aspects. First, we observe that the second-order variable, ambidexterity, is significant through the variables exploration and exploitation. Second, data show how this second-order variable is the first step of a significant sequence - quality, speed, flexibility, and cost, which addresses RQ1, that considered the relation between ambidexterity and sand cone model, considering an ambidextrous sand cone model. Third, we can observe how the impact of the sequence is increasing from 0,162 (quality to speed) to 0,691 (flexibility to cost improvements), which shows the sequential improvements of the sand cone model

Please insert 'Figures 2&3' about here

In order to address RQ2, as explained in section 3.3.2, we divided the sample in two: one, the set of firms operating in a dynamic environment (93) and another, those operates in a static environment (79). We used Chow's Test to show that the sample can be divided in two different sub-samples because there is structural change between them. We observed that the results were different for companies in dynamic when compared to static environments. Once we established that there are observable differences between both sets of firms depending on the environment, the following step was to compare whether there are significant differences in the relationship between ambidexterity and the sand cone model across both (static and dynamic) environments. The main results are shown in Figures 2 and 3.

We observed different and interesting key aspects. First, when investigating firms in a dynamic environment (Figure 2), we observed that ambidexterity (the significant and contrasted combination of exploration and exploitation) has a significant relationship with the sand cone model (Figure 2). Moreover, we observed that the significance levels increase the results when going through the sequence. Figure 3 shows the results for companies that compete in a static environment. Here, ambidexterity is less significant for performance improvements. Hence, we address RQ2 in which we considered that high environmental dynamism will influence the ambidextrous sand cone model.

5. Discussion

Based on a theoretically derived and empirically grounded study, this paper explored two key research questions: the relationship between organizational ambidexterity and manufacturing performance (in the guise of the sand cone model) and, the impact of environmental dynamism on this relationship. Before discussing each of these questions in turn it is important to note the following limitations of this study – which we hope will also offer fruitful avenues for future research. First, although we tested for common methods bias, the study relies on one key informant per firm. Future studies should seek out multiple informants per firm as suggested by Guide Jr. and Ketokivi (2015). Second, both ambidexterity and the sand cone are dynamic concepts and a cross sectional survey can only infer its temporal characteristics. Future longitudinal research, informed by the relationships uncovered in this study, would allow for direct inspection of the processual developments. Finally, different environmental characteristics should be considered, going beyond low and high environmental dynamism.

With regards to research question 1, although previous studies have implied that exploitation and then exploration are themselves sequential (i.e. exploitation via incremental, closed loop learning and exploration via innovation and double-loop learning) we find that organizational ambidexterity acts as an enabler across each of Schroeder *et al.*'s (2011) proposed stages for the sand cone (i.e. quality, speed, flexibility, and cost) and hence drives manufacturing performance. Previous ambidexterity literature has shown the link to each of the four constituent performance dimensions separately, but by integrating our analysis with the sand cone model we have an indication that managers should focus on

cumulative, sequential improvements to drive manufacturing performance. The findings support the sequential performance dimensions of the sand cone model - quality, speed, flexibility, and cost. When Ferdows and De Meyer (1990) argued in favor of a cumulative rather than trade-off model of capability development, they suggested that the traditional managerial approach for improving manufacturing performance should be changed. Our research results strongly support this argument and suggest ambidexterity should be a strategic aim regardless of the firm's stage of operational capability evolution (across the sand cone dimensions). A firm developing capabilities to drive ambidexterity and driving the development of the sand cone dimensions – quality, speed, cost, and flexibility – will drive manufacturing performance.

In answering our second research question, results emphasize the apparent universality of ambidextrous approaches. This balanced approach seems to have benefits for manufacturing firms in both static and dynamic environments, albeit the relationship between ambidexterity and performance is less pronounced in the static environment setting. In other words, companies working in a dynamic market environment need to ensure that not only ambidexterity capabilities are developed, but also support cumulative capability development via the sand cone dimensions. Returning to the RBT/DC concepts used as a framing device for the study, the findings for both research questions offer support for a partially contingent (on environmental dynamism) but largely integrative perspective on this debate. The centrality of a sequential, cumulative approach to performance improvement echoes much of the RBT position (with its emphasis on local, unique, incremental learning) but, at the same time, the positive impact of ambidexterity on this process – regardless of the competitive context - suggests that over time, competitive survival is indeed supported by a continuous reinvention of capabilities (Helfat and Peteraf, 2003).

6. Conclusions and implications

This study theoretically and empirically refines our understanding of the relationships between manufacturing performance via the sand cone model, environmental dynamism, and ambidexterity. Two research questions are addressed using structural equation

modelling (SEM) in a sample of 231 Spanish manufacturing companies. Findings illustrate a significant relationship between ambidexterity as the basis and enabler for manufacturing performance improvements, calling for an ambidextrous sand cone model. The study illustrates that this relationship is influenced by the company's wider environment. This relationship is further emphasized when companies work in a dynamic environment. Quality, speed, flexibility, and cost improvements are supported by a company's capability to drive ambidexterity.

The practical contributions of this study are twofold. First, we illustrate that manufacturing companies should drive to develop ambidextrous capabilities. This will have a positive impact on performance across the whole sequence stipulated by Schroeder *et al.*'s (2011) version of the sand cone model - quality, delivery, flexibility, and then cost. Second, this sequential development approach is even more significant for operations working in dynamic environments (i.e. those characterized by a constantly changing market and customer demands).

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Tables and Figures

| Authors | Sample size | Dimensions | Type of study | Research method | Results |
|-----------------------------------|---------------------------|---|---------------|---|--|
| Ferdows and De Meyer, 1990 | 167 business units | Quality, dependability, speed and cost | Conceptual | Associative analysis | Sand cone was first proposed |
| Noble, 1995 | 561 plants | Flexibility, dependability, delivery and cost | Empirical | Regression analysis | Support for sand cone model |
| Boyer and Lewis, 2002 | 110 plants | Quality, delivery, flexibility, cost | Empirical | Correlations | Trade-off remains |
| Flynn and Flynn, 2004 | 165 plants | Quality, flexibility, delivery and cost | Empirical | Hierarchical regression analysis | No sequential progression |
| Rosenzweig and Roth, 2004 | 81 business units | Quality, delivery reliability, volume flexibility, and cost | Empirical | Path analysis | Evidence in support of the sand cone model |
| Amoako-Gyampah and Meredith, 2007 | 126 manufacturing firms | Quality, flexibility, delivery and cost | Empirical | Multiple regression analysis | Evidence supports the sand cone theory but in developing economies |
| Avella <i>et al.</i> , 2011 | 274 manufacturers | Quality, delivery, flexibility, environmental protection, and cost efficiency | Empirical | Structural equation model | Existence of cumulative effects amongst manufacturing capabilities |
| Schroeder <i>et al.</i> , 2011 | 189 manufacturing plants. | Quality, delivery, flexibility and cost | Empirical | Path analysis and structural equation modelling | Existence of cumulative effects but not for all the plants |
| Narasimhan and Schoenherr, 2013 | 180 manufacturing firms | Quality, flexibility, delivery and cost | Empirical | Repeated cross-sectional analysis | Sand cone model over time |

Table 1 Exemplary studies focusing on main dimensions used in the sand cone model

| Authors | Relation to SCM | Dimensions | Research/Sector | Results |
|---------------------------------|-----------------------------|--|---|---|
| Vokurka <i>et al.</i> , 2002 | Supply chain management | Quality, dependability, flexibility, agility and cost efficiency | Conceptual | Supply chains improve their performance by competitive priorities |
| Voss, 2003 | e-Commerce | Foundation of services, costumer focus and value added | 70 firms randomly selected | Sand cone as basis for e-commerce development |
| Takala <i>et al.</i> , 2006 | Multi-focus strategy | Basic security pillars, operating philosophies and credibility | 21 experts in strategy | A better fit for strategic decision making |
| Newman <i>et al.</i> , 2009 | Supply chain management | Functional, cross-functional, supplier/costumer and multi-tier effectiveness | Mid-level career supply chain managers of 4 different companies | Potential improvements to their supply chain from the sand cone model |
| Lee <i>et al.</i> , 2010 | Porter's generic strategies | Focus, differentiation, cost and performance | 135 firms from Korea | Early movers have more cumulative strategic capabilities |
| Ferdows and Thurnheer, 2011 | Fitness | Design, launch, and management | 42 factories of the Hydro Aluminum Extrusion Group | Factories, like athletes, can become fitter by strengthening a carefully planned sequence of capabilities |
| Bortolotti <i>et al.</i> , 2015 | Lean practices | Quality, delivery, flexibility and cost | 317 plants | Relation to performance through sand cone dimensions |

Table 2 Exemplary studies focusing on sand cone model relating to other strategic variables

| Variable | Number of items | Source |
|-------------------------|-----------------|-----------------------------|
| Exploration | 5 | Mom <i>et al.</i> , 2007 |
| Exploitation | 4 | Mom <i>et al.</i> , 2007 |
| Quality performance | 3 | Raymond and St-Pierre, 2005 |
| Flexibility performance | 3 | Raymond and St-Pierre, 2005 |
| Speed performance | 3 | Larso, 2004 |
| Cost performance | 3 | Raymond and St-Pierre, 2005 |

Table 3 Variables and items used for the questionnaire

| Variable | Cronbach's α | Mean | SD | Correlations | | | | | |
|--------------------------|------------------------|--------|---------|--------------|--------|--------|--------|--------|----|
| Exploration | 0.878 | 4,8586 | 1,20421 | 1 | | | | | |
| Exploitation | 0,798 | 5,2857 | 1,07045 | ,374** | 1 | | | | |
| Quality improvements | 0.769 | 5,5527 | 1,01248 | ,215** | ,225** | 1 | | | |
| Speed improvements | 0.827 | 4,4894 | 1,36746 | ,251** | ,181** | ,131* | 1 | | |
| Flexibility improvements | 0.769 | 4,9424 | 1,21046 | ,202** | ,249** | ,340** | ,229** | 1 | |
| Cost improvements | 0.755 | 4,8252 | 1,22022 | ,193** | ,147* | ,359** | ,132* | ,550** | ,1 |

* Correlation is significant at the 0.05 level (two tailed)

Table 4 Descriptive statistics and reliability analysis

| Types of fit | Measures | Levels of acceptance | Summary for Robust Model | | |
|--------------|---|----------------------|--------------------------|------------------|------------------|
| | | | Total sample | Dynamic | Static |
| Absolute | χ^2 (sig.) | Significance level | 455.592 (p=0.00) | 371.752 (p=0.00) | 286.816 (p=0.00) |
| | Degrees of freedom | | 176 | 176 | 176 |
| | Root Mean Square Error of Approximation (RMSEA) | <0.08 ^a | 0.061 | 0.057 | 0.049 |
| Incremental | Comparative Fit Index (CFI) | >0.9 ^b | 0.911 | 0.924 | 0.941 |
| | Non-Normed Fit Index (NNFI) | >0.9 | 0.902 | 0.909 | 0.930 |
| | Bollen's (IFI) | >0.9 | 0.918 | 0.926 | 0.944 |
| Parsimony | Normed Chi-square χ^2 / df | <3.0 ^a | 2.588 | 2.112 | 1.629 |

^aHair *et al.*, (2004) and Byrne (1998).

^bByrne (1998).

Table 5 Goodness of fit statistics of the structural mode

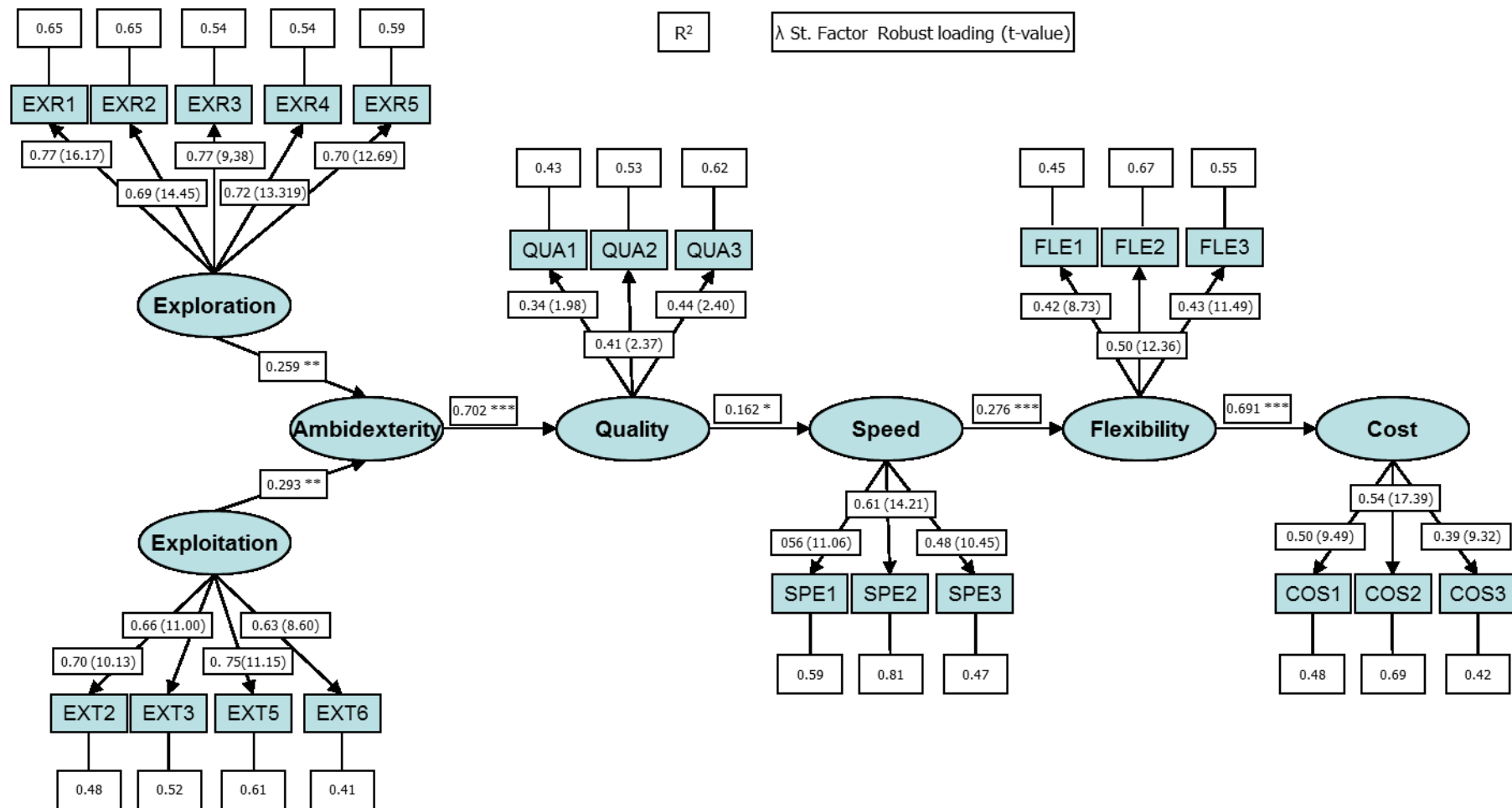


Figure 1 Structural modelling of the influence of ambidexterity and the sand cone model

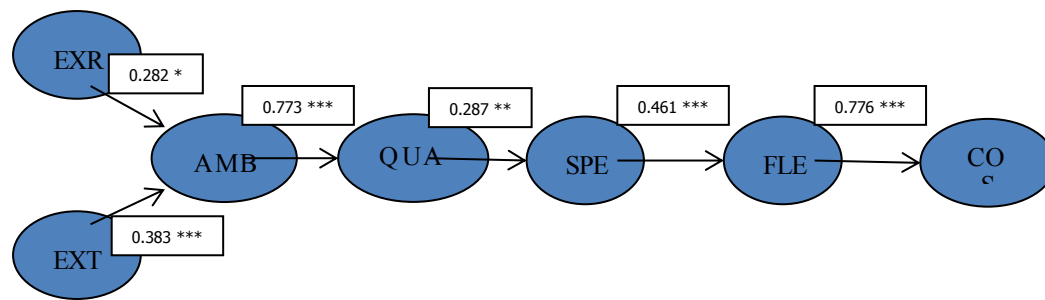


Figure 2 Structural modelling of the influence of ambidexterity and the sand cone model in a *dynamic environment*

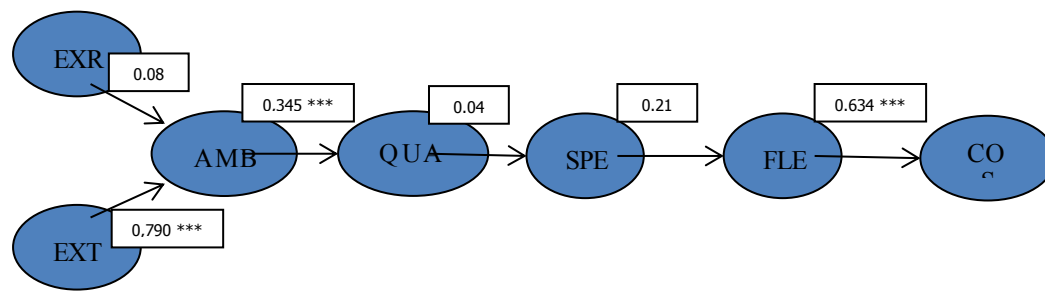


Figure 3 Structural modelling of the influence of ambidexterity and the sand cone model in a *static environment*

Appendix A: Sample details

| | | |
|-----------------|-------------------------------|-----------|
| Size | Fewer than 50 employees | 34 cases |
| | 50 to 250 | 100 cases |
| | 250 to 1,000 | 76 cases |
| | More than 1,000 | 21 cases |
| Sales | Less than €1 million | 11 cases |
| | €1 to €7 millions | 16 cases |
| | €7 to €40 millions | 177 cases |
| | More than €40 millions | 27 cases |
| Production type | Job shop | 9 cases |
| | Batch flow | 60 cases |
| | Line flow | 38 cases |
| | Continuous flow | 33 cases |
| | Flexible Manufacturing System | 74 cases |
| | Others | 17 cases |

Appendix B: Questionnaire

PART I: EXPLORATION AND EXPLOITATION ACTIVITIES

| | | | | | | | | |
|--------------------------|------------|----------|----------|----------|----------|----------|-----------|-----------------------|
| Strongly disagree | = 1 | 2 | 3 | 4 | 5 | 6 | 7= | Strongly agree |
|--------------------------|------------|----------|----------|----------|----------|----------|-----------|-----------------------|

1. Our activities search for new possibilities with respect to products/services, processes or markets.
2. Our activities try to evaluate diverse options with respect to products/services, processes or markets.
3. Our activities are focused on strong renewal of products/services or processes.
4. Our activities require quite some adaptability of ourselves.
5. Our activities require you to learn new skills or knowledge.

1. We develop activities of which a lot of experience has been accumulated by yourself.
2. We develop activities which serve existing (internal) customers with existing services/products.
3. We develop activities of which it is clear to us how to conduct them
4. We develop activities primarily focused on achieving short-term goals.
5. We develop activities which we can properly conduct by using our present knowledge.
6. We develop activities which clearly fit into existing company policy.

PART II: MANUFACTURING PERFORMANCE

| | | | | | | | |
|-------|---|---|---|---|---|---|----------|
| Low = | 1 | 2 | 3 | 4 | 5 | 6 | 7 = High |
|-------|---|---|---|---|---|---|----------|

Quality improvements

1. Increase product quality
2. Improve delivery delays
3. Preventive maintenance

Flexibility improvements

1. Reduce set-up times
2. Manage bottlenecks
3. Increase equipment flexibility

Cost improvements

1. Reduce production downtime
2. Reduce new product development time
3. Increase product standardization

Speed improvements

1. A route can quickly adjust process products/parts.
2. Products can be made quickly.
3. The manufacturing system can quickly changeover to a different product mix.

PART III: ENVIRONMENT DYNAMISM

| | | | | | | |
|-----------------|---|---|---|---|---|-----------------|
| Slow = 1 | 2 | 3 | 4 | 5 | 6 | 7 = High |
|-----------------|---|---|---|---|---|-----------------|

1. The rate at which your products and services become outdated is
2. The rate of innovation of new products and services is
3. The rate of innovation of new operating processes is
4. The tastes and preferences of customers in your industry are